



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 16, 1998

### **H.R. 3412**

### **Small Business Investment Company Technical Corrections Act of 1998**

*As ordered reported by the House Committee on Small Business on March 12, 1998*

CBO estimates that enacting this bill would not have a significant impact on the federal budget. Because H.R. 3412 would not affect direct spending or receipts, pay-as-you-go procedures would not apply. H.R. 3412 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 and would not affect the budgets of state, local, or tribal governments.

H.R. 3412 would make a number of technical corrections to the Small Business Investment Act of 1958. It would allow the Small Business Administration (SBA) to allocate the appropriations available to fund small business investment companies (SBICs) more evenly over the course of a year by eliminating a provision in current law that reserves funds for smaller SBICs until the last quarter of the fiscal year. It also would allow a more accurate comparison of the revenues of small businesses seeking eligibility for the SBIC program by requiring SBA to compare a firm's revenues assuming that it has paid all required income taxes. (Certain corporate structures, such as "S" corporations, pass all income through to the stockholders. This makes comparing revenues with firms that do not pass through income, but instead pay taxes at the corporate level, misleading.) Finally, H.R. 3412 would give SBA more flexibility in issuing certificates that help finance SBIC activities by increasing the minimum placement period for public offerings from 6 months to 12 months.

The Congress annually limits total SBA commitments for financing SBICs through the appropriation process. CBO expects that enacting H.R. 3412 would affect SBA procedures and might change the mix of eligibility for participating in the SBIC programs, but would result in no significant additional cost to the federal government.

The CBO staff contact for this estimate is Mary Maginniss. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.